CHAPTER 13
SECTION 6.2

HOSPITAL REIMBURSEMENT - BILLED CHARGES SET RATES

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I. ISSUE

How are billed charges/set rates to be used in determining reimbursement for hospitals under TRICARE/CHAMPUS?

II. POLICY

A. Billed charges.

1. In those cases in which the TRICARE/CHAMPUS DRG-based payment system or the TRICARE/CHAMPUS inpatient mental health per diem payment system is not used, the most common method of reimbursement for covered services of hospitals is that of billed charges. The billed charge is allowable if it is reasonable and is not greater than (1) the charge made to the general public; or (2) the allowed charge applicable to contractor policy-holders (subscribers), when extended to TRICARE/CHAMPUS beneficiaries by consent or agreement; or (3) the charge set by local or state regulatory authority as applicable to citizens and extended by law or regulation, consent or agreement to TRICARE/CHAMPUS.

2. All reasonable charges of providing patient care shall be included in evaluating the reasonableness of charges and rates. Reasonable charges take into account both direct and indirect costs of hospitals. The reasonable charges will vary from one hospital to another because of scope of services, level of care, geographic location, and utilization. It is the intent of TRICARE/CHAMPUS to reimburse hospital rates and charges regardless of how widely they vary from hospital to hospital, provided they are reasonable, except when it comes to the attention of the contractor or TMA that a particular hospital's charges substantially exceed those of other hospitals in the same area which are similar in size, scope of service, utilization, and other relevant factors. "Utilization" includes not only the occupancy rate, but the characteristics of the patient mix (age of patients, extent of TRICARE/CHAMPUS eligibles, types of illness, etc.).

B. All-inclusive rates.

1. Some providers do not routinely itemize their charges or vary their charges depending upon the various services rendered. Instead, such providers have a set schedule of “all-inclusive” rates which are charged to all patients (or all patients in a given category such as surgical, medical, obstetrical, etc.) regardless of the specific services rendered to each

patient. Such rates are based on a per diem or per admission amount and may consist of a single amount for all services or a basic "room and board" charge and a separate set charge for ancillary services. Such all-inclusive rates may be reimbursed so long as they are uniformly charged to all patients and so long as the hospital is incapable of itemizing its bills.

2. Diagnosis-related group (DRG) amounts which hospitals have elected to use in lieu of normal billed charges also qualify as all-inclusive rates. These DRG amounts may be derived from some third-party payer such as Medicare or a Blue Cross plan. TRICARE/CHAMPUS payments based on DRG amounts are authorized only if they are the basis for the hospital's billing--not just the basis for payment by some source.

C. Unauthorized private room charges.

1. An unauthorized private room is to be reimbursed at the semi-private room rate.

2. When the hospital has varying semi-private room rates depending on the particular medical classification, e.g., maternity, pediatric, general medical, etc., reimbursement is to be at the rate for the type of semi-private room the beneficiary would have used.

D. Hospital participation.

1. Participation is required for all hospitals which participate in Medicare, whether they are reimbursed under the TRICARE/CHAMPUS DRG-based payment system, the TRICARE/CHAMPUS inpatient mental health per diem payment system, or under billed charges/set rates. This also applies to services of hospital-based professionals which are related to inpatient stays.

2. A hospital which is not Medicare-participating and which is exempt from the TRICARE/CHAMPUS DRG-based payment system and the TRICARE/CHAMPUS inpatient mental health per diem payment system may elect to participate on a claim-by-claim basis.

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